

RDA presentation to Political
Subdivision Interim Committee

August 18, 2004

Outline of Presentation

- Overview & purpose of RDA law
- Use of Tax Increment
- Corrective Actions taken by Legislatures in the past
- Q & A

Why are RDA Project Areas Created?

- Redevelopment is a tool created by the state to assist local government in revitalizing declining areas, create new jobs, and generate new tax revenues.
- As of 2003 in Utah 69 cities and 3 counties have adopted or created project areas under the RDA law.
- Redevelopment can help a community implement a revitalization effort for their downtowns, retail areas, industrial areas or neighborhoods.
- Redevelopment Plans are locally created and adapted so they respond to a community's unique needs and vision.

Authority

Project Area Creation and Authority of an
RDA is found in Utah Code Annotated
17B-4-101 et seq.

Creation Process

- After review of the law, there are approximately 100 total steps to be undertaken and items to be checked in the creation of a Project Area.

Project Areas

There are 3 types of Project Areas

- Redevelopment
- Economic development
- Education housing

Each project area has a separate and distinct set of requirements.

Redevelopment Project Areas

- General purpose is to redevelop the area and to eliminate “blight”
- If the area is found to be a blighted area, retail sales of goods IS allowed as the primary objective of the project area.
- If a finding of blight is made, agency has the power of eminent domain IF INCLUDED IN THE PLAN, for 5 years from the effective date of the project area.

Redevelopment Project Areas cont.

- Use or threat of eminent domain may trigger an Agency's obligation to pay relocation costs.
- Adoption of a survey area is required
- Owner participation guidelines, relocation guidelines must be adopted by resolution prior to the 1st public hearing (57-12-9)
- Owner Rights Statement must be prepared and sent with notice

Blight Finding

- An Area must contain buildings or improvements used or intended to be used for urban purposes
- 50/50 rule applies:
 - 50% of the number of parcels of privately owned real property must have buildings or improvements on them
 - the area of those parcels with buildings or improvements on them must be at least 50% of the total privately owned property in the project area.
 - the Agency must find that at least (3) three statutorily listed factors of blight exist in the project area.

Economic Development Project Areas

- General purpose is to create additional jobs, or retain jobs within the state
- Retail sales cannot be the primary objective
- Incidental/subordinate development of retail sale of goods is allowed
- An economic benefit analysis and a finding of an economic benefit is required.
- Eminent Domain is not allowed (except to acquire property of an agency board member or officer with consent).

Education Housing Development Project Area

- General purpose is to promote high density housing adjacent to a public/private institution of higher education
- Same restriction as an Economic Development Project Area.
- Local school district can exempt the school district portion of a tax increment, this is done by written notice prior to taxing agencies approval.
- In this event, school districts and state school board have no vote in the budget approval process

Tax Increment – Targeted Housing

All project area budgets adopted after May 2000 MUST allocate 20% of the tax increment for affordable income housing, unless:

- The project area budget provides for the Agency to receive no more than \$100,000 in annual tax increment
- The Agency obtains a waiver of the 20% requirement from both the Olene Walker Trust Fund Board and the taxing agency committee

Tax Increment Financing

- Legislative guidelines for Project Area Budgets and Tax Increment Collection (post June 30, 1993 Project Areas)
 - If 20% is set aside for housing
 - a. 100% for 15 years
 - b. 75% for 24 years

Tax Increment Financing cont.

- If 20% is not set aside for housing:
 - a. 100% for twelve years
 - b. 75% for twenty years

These periods are not automatic; the multi-year budget must be approved by the Taxing Agency Committee before Tax Increment is collected

Taxing Agency can approve budgets allowing the Agency to receive any % of tax increment up to 100% for any period of time

Tax Increment Financing cont.

- The “trigger” of Tax Increment for pre-1993 project areas is from the 1st tax year which the Agency accepts Tax Increment from the project area.
- For post 1993 project areas, the “trigger” date is the first tax year the Agency is to receive Tax Increment as shown in the project area budget
- Base year for the post June 30, 1993 project area plan is the date of the taxing agency committee approval of the project area

Taxing Agency Committee

The purpose of the Committee is to:

- Approve Project Area budgets
- Base tax rate or current tax rate
- Approve length of time for payment to RDA
- Determine proportion of Tax Increment paid to RDA
- Determine project size - if larger than 100 acres
- Determine use of increment outside of project area for utilities and access
- Determine waiver if more than 10% of tax base will be subject to Tax Increment diversion at time of new project area budget adoption

USES OF TAX INCREMENT

17B-4r-1007- Statutorily authorized

categories of expenditures

- 1.** Improvements and expenditures within the project area to finance or refinance the redevelopment, economic development or education housing.
- 2.** Housing expenditures, project or programs as provided in section 17B-4-1009, 1010

USES OF TAX INCREMENT cont.

3. With Consent Of the Community Legislative body the value of the land for and the cost of the installation and construction of any publicly owned building, facility, structure, landscaping, or other improvements within the project area. (Exception made for municipal buildings, courts or other judicial buildings or fire stations.)

Uses of Tax Increment cont.

4. If approved by the taxing agency committee, and with the consent of the legislative body by resolution, the cost of the installation of publicly owned utilities and access outside the project area.
5. Operating expense of the Agency
6. Special Projects

Housing

Tax increment from a project area can be used for housing improvements in any project within the Agency's boundaries.
Note That:

- No 20% limitation regarding this provision
- The tax increment can be used for any kind of housing, not just affordable or target housing.

Housing cont.

Up to 20% of the tax increment received by an Agency from a project area can be used outside of the project areas to replace housing lost because of redevelopment, economic development, education housing or for increasing, improving, and preserving generally the affordable housing supply of the community. This is different than the mandated 20% for income targeted housing for post April 30, 2000 project budgets.

Corrective Action – Taken by Legislature

- Eminent Domain limitations
- Establishment of the Taxing Agency Committee
- Limitation on Project Area Size
- Limitation on the years of Tax Increment use
- Creation of three types of Project Areas and establishment of specific requirements for each area
- Statement of Property Owners rights

Corrective Actions cont.

- Limitations on Blight Process – Burden of Proof on the agency
- Adoptions of specific Project Areas Budgets
- Requiring Tax Increment participation in housing
- Specific requirements for Project Area Budgets
- Specific Project Area Plan Requirements